

Dairymen Find Co-operation Profitable

By FRED L. HOLMES

WISCONSIN is one of the foremost states of the Union in agricultural co-operation. Its greatest success has been attained in the handling of dairy produce, but the co-operative movement has been extended to other lines of agrarian activities. In results obtained for its members the Wisconsin Cheese Producers' Federation, of Sheboygan County, ranks next to the California Fruit Growers Exchange, which is the largest single and most successful farmers' co-operative company in the United States.

W. A. Henry, formerly dean of the Wisconsin College of Agriculture, gave the co-operative movement its impetus in the state. Once the seed was planted, its roots spread and ramified beyond expectations. It was an uphill fight at first to get the enterprises on a sound, businesslike basis, but the days of skepticism are past. There are now more than 2,000 farmer co-operative companies operating in Wisconsin with an annual business in excess of \$62,500,000. Dairy enterprises exceed all other co-operative agencies, although twelve different lines of effort are to be found in the state.

They are as follows:

Kind of business	No.	Volume
Creamery	380	\$19,100,000
Produce and feed	98	14,936,000
Cheese	718	14,490,000
Live stock	124	9,700,000
Merchandise	57	2,500,000
Insurance	214	958,000
Fruit	6	500,000
Telephone	471	454,000
Laundry	2	8,000

Total2,070 \$62,646,000

While some of the figures of the above table are in part estimated, the estimates are very conservative. Without doubt there is much co-operative buying and selling not here represented. This would include the co-operative purchase of feeds, for example, where a group of farmers buy a carload and divide it up among them. There is no question about this being a co-operative transaction, but many such groups are unincorporated and it would be difficult to find the extent of their dealings. Again it will be noticed that the community live stock sales and purchases are not included. For the most part these operations are carried on without any co-operative ownership of property, yet the business done depends upon co-operative action. No account is taken of transactions in seed grain, seed potatoes, grass seeds and the like carried on by the experiment station groups. This also is genuine co-operation, and the amount of the business is large. There are many minor co-operative groups such as those owning the machinery for handling hemp, or for crushing limestone.

Not all attempts in Wisconsin at co-operation have been successful. This has been more particularly true with packing plants, which require large capital, and a skilled management to cope with the packers' combine. The best results have been where the emergency has awakened the interest of the entire community; where a crisis in farm marketing seems to have demanded some radical action.

"It may be well to call attention to the undoubted fact that co-operation among farmers succeeds rarely except where it grows naturally out of the needs, experiences and aspirations of the interested parties," says B. H. Hibbard, a leader in the Wisconsin co-operative movement. "Most successful co-operation has started in a small way and grown gradually to greater proportions."

Unique among Wisconsin's co-operative enterprises is a laundry. It was started in 1914 largely through the influence of Dean Henry, who was convinced of the possible advantages of a co-operative laundry to a rural community. This laundry is established at River Falls. It has a paid-up capitalization of \$5,180 and did a business of \$6,343 during the first year. Eighty-two farmers hold \$2,160 worth of stock and 156 city stockholders own \$3,020 worth. The records for one year show that 239 farmers and 545 city residents were patrons. The farmers own 40 per cent of the stock but contribute only 27 per cent of the business. To the mind of the manager, the business is now on a firm financial basis and will continue to be a profitable enterprise.

Wisconsin is the largest dairy state in the Union and ranks first in the production of cheese. It has been in dairy lines that Wisconsin co-operative enterprises have had their greatest success. This has been

largely due to the fostering interest of the state college of agriculture and stimulated interest resulting from the several bulletins issued on different phases of the subject by the faculty and to the putting into operation of the co-operative idea by the different farm organizations in the state.

The most recent data gathered showed 37 per cent of the 1929 cheese factories in the state and 45 per cent of the 83 creameries in the state are co-operative.

The financial report for the past year of the Barron Co-operative Creamery, the largest single enterprise of its kind in the state, gives the receipts for the sale of butter at \$930,834.27; for the sale of buttermilk, \$7,271.76. The factory produced 1,623,502 pounds of butter and paid its factory patrons \$885,750.28. Its cost of operation was 3.4 cents compared with 6.8 to 7.5 for private creamery companies. A comparison of prices paid to farmers for butter fat by co-operative and private creameries shows that the co-operative concerns paid approximately 3 cents more a pound than did the private enterprises.

Even more successful is the Wisconsin Cheese Producers' Federation, of Plymouth. This organization does not buy and sell cheese but acts as a wholesale distributor for the factories in the federation. It was founded to fight an alleged "cheese trust"—and the leader in the "trust busting" movement was a farmer and state legislator—Henry Krumrey. Recently the state, through the college of agriculture, conferred special honors on Mr. Krumrey for the leadership and courage shown in this contest. Return to the conditions that made Krumrey's and his cheese farmers' experiment possible. The leading cheese board in Wisconsin has been a Plymouth board. It fixed the price at which cheese was sold in Wisconsin. If the price dropped on the board one cent a pound the same result will be reflected on every board in Wisconsin.

"Down to the spring of 1911," Farmer Krumrey said, "I believe, there was some competition in buying on the Plymouth Board. About that time, however, the members of the Wisconsin Cheese Dealers' Association Company, which had been incorporated some time previous, apparently came to a perfect understanding with regard to fixing cheese prices. From that time on the cheese boards of Wisconsin became a ridiculous farce. These boards were created to establish legitimate quotations for Wisconsin cheese. Their quotation could no longer be looked upon as legitimate. The

had disposed of what they had in storage, they gradually dropped the board price to about 15 cents—which it was on May 21, 1912. There was at that time a demand at 15 cents a pound which could not be supplied. In spite of this fact, however, on the next board day (May 28) they dropped the board price to 12 cents. Then when they had done this they refused to buy for others on commission, except the packers, as I can prove. They were again getting ready to fill up the cold storage.

"Everything was all arranged to go through the same old performance of taking thousands of dollars out of the pockets of the farmers that rightfully belonged to the farmers."

Out of this situation the farmers of Sheboygan County founded in 1913 the Wisconsin Cheese Producers' Federation which has gradually grown in strength and influence until it is cited by the Wisconsin College of Agriculture as one of the most successful examples of co-operation in the United States. Its headquarters and cold storage warehouses are located at Plymouth. At the beginning of the year 1920 it had a membership of 120 factories of which three-fourths are centered in the vicinity of Plymouth and one-fourth near Spring Green, the two large cheese centers in the state. There are about 3,000 farmers in the federation.

Founded in 1914, the business of the federation has grown from \$855,328.64 to \$4,243,938.56 at the close of the year 1919, and the price per pound paid for cheese to factories increased from 14.3 cents in 1914 to 30.1 cents in 1919 and for each dollar paid to a factory in 1914 the federation paid \$4.93 in 1919. The pounds of cheese received from the factories and marketed by the federation increased from 6,125,480 in 1914 to 14,098,021 in 1919, or 230 per cent.

"The federation markets cheese at an expense that is extremely small," says Theodore Macklin, of the department of agricultural economics in a report that has just been made after a thorough investigation conducted by the agricultural college.

"A few comparisons will make plain how low the selling cost actually is. In 1912 before the federation was created by Sheboygan County farmers the private cheese dealers took a margin which amounted to from 4.7 cents to 9.3 cents on each dollar's worth of cheese that they marketed. The basis of sales at that time was the Plymouth Board price. Today the federation has an operating cost of only 1.4 cents on each dollar of cheese sales. The basis of sales is still the Plymouth Board price. The difference between the 4.7 cents for each dollar's worth of cheese and the 1.4 cents represents the money savings due to operating advantages which the federation is bringing to its patrons. Frequently a further advantage is gained from the fact that the federation sells much of its cheese at a higher price than the board. More important than the present money gains obtained are the benefits of future advantages which will come through continued improvement in the quality of the cheese handled by the federation.

"The extremely low cost of operation for the federation has been made possible by two fortunate circumstances. First the management is unusually well informed and actively operating in the interests of the federation and its members. This is shown in the fact that over \$10,000,000 worth of cheese has been sold without the loss of a single cent through bad debts. This is indeed a most remarkable record for which the management deserves the highest commendation.

"The second fortunate circumstance is that the farmers have desired to market their cheese through the federation in rapidly increasing quantities.

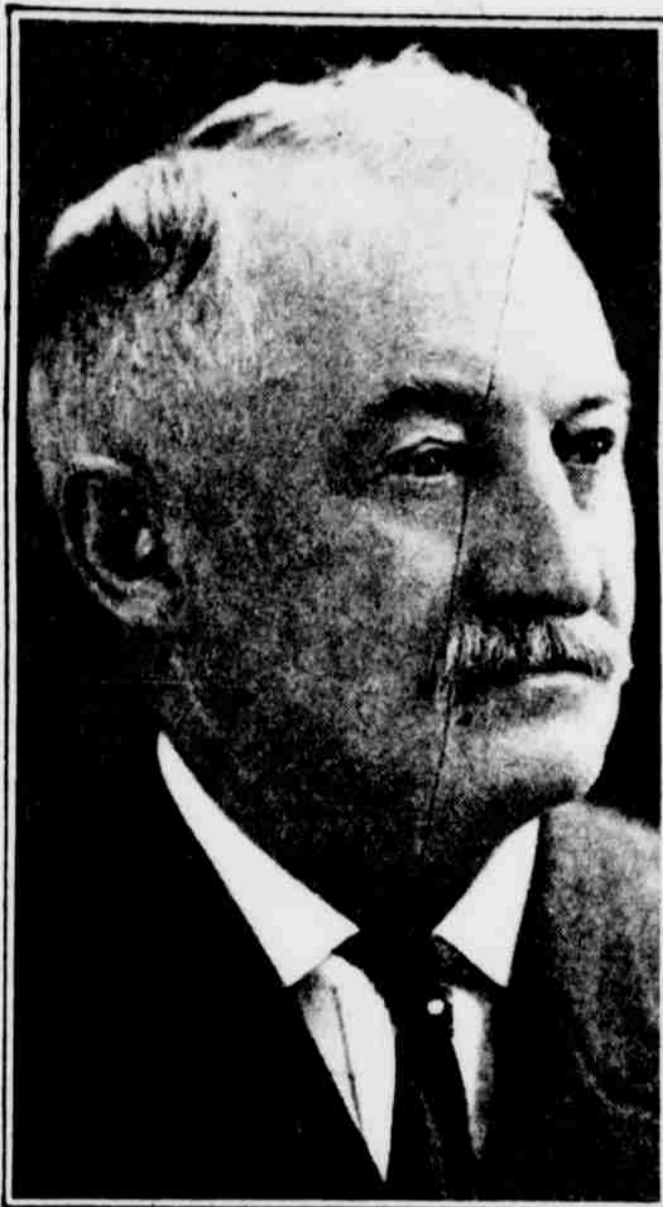
"The size of the organization, the volume of its business, and above all the efficiency of its management are responsible for the fact that such an unusually high proportion of each dollar gained from the sale of cheese is paid to the local factories. During 1919 the federation paid direct to the factories 97.7 cents for every dollar that it took in from the sale of cheese. The remaining 2.3 cents on each dollar of sales were devoted to three uses in the interest of and to the benefit of the patrons. In the first place the freight between the local factory and the federation's warehouse had to be paid. This amounted to .4 cents per dollar of sales.

"Secondly 1.4 cents for each dollar received for cheese was used to pay for the actual operating expenses of the federation.

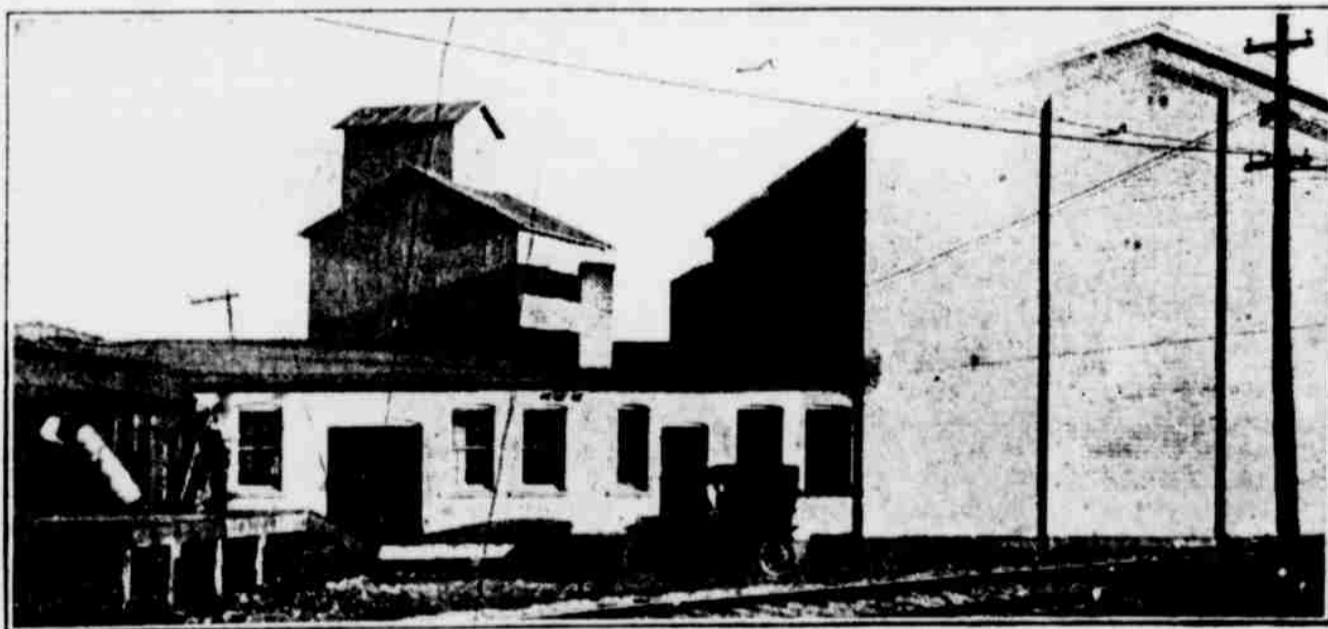
"In the third place not all the gross margin kept for paying operating expenses was required for that purpose, consequently an undivided profit was made of .5 cents per dollar of sales. These savings eventually go to the members.

The success of the Wisconsin Cheese Producers' Federation compares favorably with co-operative enterprises in other states. The greater the volume of the business, the less is the expense of operation. The California Fruit Growers Exchange does a \$55,000,000 business and the number of cents taken from each dollar to pay all expenses is 1.1 cents. The expenses of the Wisconsin Cheese Producers' Federation with one-thirtieth of the business is 1.4 cents.

The history of the farmers' co-operative movement in Wisconsin since 1885 points to one fact. The success of the co-operative enterprise depends on the interest of its members and that this interest must be born out of the exigencies of the conditions that made necessary the adoption of the co-operative plan.



HENRY KRUMREY, of Plymouth, who has built the second largest successful co-operative enterprise in the United States.



Warehouse of the Wisconsin Cheese Producers' Federation, at Plymouth. Three hundred farmers are members of this organization.

farmer was left at the mercy of the crowd that put his cheese on the market.

"Beginning in the spring of 1911 the board price was fixed at an arbitrarily low figure during the summer months, when we had our largest and best yield and the dealers were filling up the cold storage.

"For five months running through the summer of 1911 the board price was so low that our milk that was made into cheese brought us less than \$1 a hundred pounds, which is less than two cents a quart. For American cheese we got from 11 to 13 cents. This cheese was put into cold storage by the dealers. In the winter it was shipped out by the train and the dealers got it for a price as high as from 18 to 22 cents a pound. In the spring of 1912 after the dealers